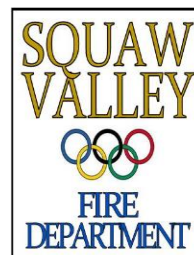




SQUAW VALLEY PUBLIC SERVICE DISTRICT



Fiscal Year 2017-18 Budget Memorandum

DATE: April 25th, 2017

TO: District Board Members

FROM: Danielle Grindle, Finance & Administration Manager

SUBJECT: 2017-18 Budget Assumptions-Second Draft

BACKGROUND: The District prepares a budget each fiscal year to provide a cohesive plan of operations to conduct the utility and fire functions within its jurisdiction. This budget includes appropriate staffing, operating expenses, capital improvements, and capital replacements. Likewise, the budget determines the applicable rates necessary to support these operations.

DISCUSSION: The proposed budget has been prepared with a focus on establishing adequate reserves of the District's Fixed Asset Replacement Funds (FARF's) while supporting the required resources to provide consistent and quality utility and fire services to the community. The following paragraphs discuss the material assumptions used to determine the financial estimates for each functional department, a focus on significant changes on a year-over-year basis, planning for staff succession, requirements to fund the replacement/repair of aging infrastructure, and the rates necessary to support the aforementioned estimates.

Utility & Administration Departments

Capital: The Water FARF's balance remains underfunded, mostly as a result of the rehabilitation and reconstruction of Well 2R in 2011 and 2012, which costs exceeded \$1.6M. The District also has not quite recovered from the Great Recession and receives less in property tax revenue than it did in 2009. The District experienced a significant decrease in water consumption due to the drought; which in effect reduced revenues that could have been contributed to the Water FARF. Lastly, as the District's aging water and sewer infrastructure nears the end of their useful life, the need to have adequate balances in these Fixed Asset Replacement Funds is becoming essential.

During the 2016-17 fiscal year, we completed a Cost of Service Analysis (COSA)

and Rate Study which leveraged a recently completed 100-year Capital Replacement Plan. The COSA recalibrated our rate structure to more equitably reflect our different customer classes' use of our water and sewer systems. The Rate Study emphasized the District's priority to fund its FARFs to position itself to replace capital assets as they reach the end of their useful lives. Both the COSA and Rate Study provide guidance to fund the FARF's at levels that will preclude the need to seek alternative funding options such as special assessments, debt financing, and/or sharp rate increases.

For 2017-18, staff is proposing contributions to the Water FARF in the amount of \$380,000; to the Sewer FARF in the amount of \$475,000. As a comparison, the 2016-17 FARF contributions are projected to be \$520,000 and \$337,000, respectively. We anticipate growing the Water FARF to \$708,000 in the coming budget year, which is about 47% of what it was at its peak in 2009.

Operations: Alternative sources of revenue from reimbursable activities and development projects are estimated conservatively at \$80,000 due to the uncertainty in forecasting this type of work. Reimbursable expenses are typically for staff time and administrative expenses associated with services and projects including the Mutual Water Company O&M services contract, the Bike Trail Snow Removal Program and proposed development projects (e.g., Palisades at Squaw, PlumpJack, Resort at Squaw Creek - Phase II, Village at Squaw Valley Specific Plan, The Shirley, etc.). In FY 2015-16 we received \$174,000 and in FY 2016-17 we anticipate \$153,000 in additional revenue to offset salary and benefit expenses.

Payroll and benefits are increasing about 20% and 14% respectively from fiscal year 2016-17. These increases are primarily due to an increase in salaries resulting from performing an overdue salary survey in support of a new five-year Memorandum of Understanding (MOU) between the District and the Union representing the Operations Department. The salary adjustments affect all positions in the Operations Dept. and more equitably align District compensation and benefits with those of similar agencies. Staff in the Administration Dept. are scheduled to receive a cost of living adjustment (COLA) equal to the Consumer Price Index (CPI) as estimated by the U.S. Bureau of Labor Statistics (BLS). The budget also includes funds for a new Operations Specialist and a Part-Time staff position to better manage additional workload from pursuing alternative sources of revenue (e.g., Mutual O&M, Bike Trail Snow Removal, etc.). Lastly, staff in both the Operations and Administration Departments are receiving a one-time 6.5% increase in pay to offset an increase in employee contributions to their pension expenses. This increase is equal to the reduction in the District's cost to provide pension benefits to the same employees.

CalPERS Unfunded Pension Liability payment increased by \$19,000 to \$118,000. CalPERS, our pension plan administrator, is undergoing a “smoothing” process as they consolidate their pooled plans to further reduce risks and assure adequate growth in the pension plans. Lastly, Workers Compensation rates are increasing by approximately 5%.

Rates: The 2017-18 rate increases provide funding to achieve revenue requirements: 5% for water, 7% for sewer, and 3% for Garbage. The necessary increases in revenue were allocated to each customer class based on their use of the systems. As such, some customer classes will see a greater increase in rates than others.

Staff hired a third-party consulting firm to perform the COSA and Rate Study that considered a 100-year Capital Replacement Plan to determine proper funding levels to perform capital replacement projects without relying on debt financing. The analyses revealed that the Water and Sewer FARFs require annual contributions in the amount of around \$600,000 to remain fully-funded.

Fire Department

Capital: The Fire Department is planning on \$450,000 in Capital projects for FY 2017-18. The Type 3 Engine is a new addition to the department’s fleet and will deplete the entire balance in the Fire Capital account as well as some funds from the Fire FARF. The purchase was originally planned for FY 2016-17 but is now being moved to FY 2017-18 due to the lead time required to have it built and delivered. Replacement projects include turnout gear, hoses, and narcotic lockboxes for the engines which are funded by the Fire FARF. We anticipate the Capital account to have a zero balance at year-end and the Fire FARF to be at \$246,000.

Operations: Fire operating expenses are expected to decrease by \$91,000, or 3%, because we do not budget for strike teams. In FY 2016-17, the Fire Department experienced a higher than average year for strike teams. Note that Strike Teams are reimbursable expenses. This decrease is offset by paying the salaries of two Fire Chiefs for the first six-months of the fiscal year. We also expect a decrease of \$17,000 in consulting fees due primarily to District staff absorbing the work necessary to perform the year-end financial statements in-house. Lastly, the land loan is now paid off and will free up \$92,500 in funds for other projects.

Fire Dept. payroll has increased in benefits by \$64,000, mostly attributed to annual salary survey adjustments as well as an increase in the unfunded accrued liability with CalPERS of \$24,000, for a total of \$117,000.

Other material changes in fire operating expenses include Field Expenses, which are increasing \$45,000. We anticipate a \$6,000 increase in Equipment Repairs & Maintenance, an \$8,000 increase in Facilities Repairs and Maintenance, a \$15,000 increase in Training for new staff members, and lastly a \$13,000 increase in Vehicle Operations and Maintenance.

Other Items

Ad Valorem property tax revenue is estimated to increase 0.67% from last year, which is considered to be conservative and uses the 2016/17 Placer County assessed property tax multiplied by the 2017/18 California CPI, and then multiplied again by the Adjusted Gross Levy percentage of each of our funds.

ALTERNATIVES: As this is an early draft of the budget, staff is seeking direction from the Financial Committee and the Board to make any adjustments. A third draft of the budget will be prepared for the May 30th, 2017 Board meeting, with a final draft and adoption scheduled for the June 27th, 2017 Board meeting.

FISCAL/RESOURCE IMPACTS: This current draft of the budget is providing a pathway to bring FARF contributions to recommended amounts. Furthermore, this plan begins to immediately make available reserves in the event a catastrophic repair and/or replacement should occur, without the need to acquire outside funding and/or special assessments.

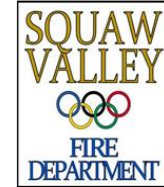
RECOMMENDATIONS: Engage discussions amongst the Board, staff, and community regarding the need to maintain adequate dedicated FARF contributions based on the District's capital replacement needs.

ATTACHMENTS: Financial Summary: FY 2017-18 Budget (1 page)
Revenue and Expenditures (Operating): FY 2017-18 Proposed Budget (2 pages)
Capital Improvements: FY 2017-18 Proposed Budget (1 page)
Financial Summary for Budget Years 2019 - 2022

DATE PREPARED: April 17th, 2017



SQUAW VALLEY PUBLIC SERVICE DISTRICT FINANCIAL SUMMARY FOR BUDGET YEAR 2017 - 2018



2017-18 Budget Summary

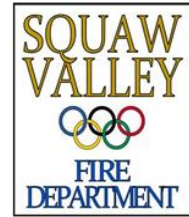
	Water	Sewer	Garbage	Total Utility Operations	Total Fire Operations	Water Capital	Sewer Capital	I&I	Fire Capital	Consolidated
Rate & Misc Revenue	1,977,881	1,306,505	251,597	3,535,984	11,200	84,000	22,000	22,000	12,000	3,687,184
Tax Revenue	172,429	-		172,429	3,276,154					3,448,583
Total Revenue	2,150,311	1,306,505	251,597	3,708,413	3,287,354	84,000	22,000	22,000	12,000	7,135,767
Payroll & Benefits	1,196,297	677,183	-	1,873,480	2,808,818					4,682,298
Operating Expenses	469,799	212,158	240,301	922,258	302,069					1,224,327
Loan Payments	65,673	41,285		106,958	-					106,958
PERS Side Loan (with interest)	38,285	38,285		76,571	36,695					113,266
Total Operating Exp	1,770,054	968,912	240,301	2,979,267	3,147,582	-	-	-	-	6,126,849
Operating Surplus (Loss)	380,256	337,593	11,296	729,146	139,771	84,000	22,000	22,000	12,000	1,008,917
FARF/Capital Contributions	(380,256)	(337,593)	(11,296)	(729,146)	(139,771)	(84,000)	(22,000)	(22,000)	(12,000)	(1,008,917)
Balance	-	-	-	-	-	-	-	-	-	0
Capital /FARF Rollforward										
Begin Balance 7/1/17	731,455	2,909,928	168,760	3,810,144	302,166	750,823	-	153,336	244,379	5,260,847
Capital Projects	(403,917)	(283,467)	(13,333)	(700,717)	(51,933)	(3,500)	(207,450)	-	(400,000)	(1,363,600)
Contributions (from above)	380,256	337,593	11,296	729,146	139,771	84,000	22,000	22,000	12,000	1,008,917
PERS Loan (includes interest)		113,266		113,266	-					113,266
Snowblower Loan (includes interest)		24,388		24,388						24,388
Funding from FARFs to Capital		(185,450)		(185,450)	(143,621)		185,450		143,621	-
End Balance 6/30/18	707,795	2,916,259	166,723	3,790,777	246,383	831,323	-	175,336	-	5,043,819

Highlights:

- AV Revenue Peak in 2009 was \$3,482,124. AV Revenue Projected for 2018 is \$3,448,583.
- Admin. & Operations Salaries are increasing 20%, mostly due to Operations Department undergoing a survey salary, increasing salaries to offset employees now paying their full portion of PERS, and hiring one new full-time position and one new part-time position.
- Fire Dept. Salaries & Benefits decreasing 2% over prior year due to no billable salaries planned. These are reimbursed. This is offset by the PERS UAL increasing.
- Engineering Special Projects is \$81,000 (FWE, InterFlow & HydroMetrics)
- Fixed Asset Replacements (FARF Capital Expenses) are \$404,000 for Water and \$271,000 for Sewer and are funded from 2017-18 Rate Revenues and Reserves.



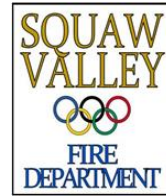
**SQUAW VALLEY PUBLIC SERVICE DISTRICT
UTILITY & ADMINISTRATIVE DEPARTMENT
OPERATING BUDGET FOR FISCAL YEAR 2017-2018**



	2015 - 16	2016 - 17	2016 - 17	2017-18	Inc/ (Dec)	%
	ACTUALS	BUDGET	ACTUAL PROJECTED	BUDGET	from Prior Year	CHANGE
REVENUES:						
Water Revenue - Rates	\$1,476,065	\$1,520,468	\$ 1,520,468	\$1,595,373	\$ 74,905	4.9%
Water Revenue - Property Tax	524,830	170,062	170,062	172,429	2,368	1.4%
Sewer Revenue - Rates	1,152,270	1,226,600	1,226,600	1,306,505	79,905	6.5%
Sewer Revenue - Property Tax	-	-	-	-	-	0.0%
Garbage Revenue	239,059	244,020	244,020	251,597	7,577	3.1%
Rental Revenue	66,376	24,450	34,170	69,312	35,142	102.8%
Bike Trail Snow Removal	45,421	112,157	90,000	112,157	22,157	24.6%
Mutual Water Co O&M	97,536	80,244	102,989	86,790	(16,199)	-15.7%
Grants, Surplus, Admin, Billable	331,373	110,760	113,249	114,249	1,000	0.9%
TOTAL REVENUE:	\$3,932,930	\$3,488,761	\$ 3,501,558	\$ 3,708,413	\$ 206,855	5.9%
EXPENDITURES						
Salaries & Wages	\$1,193,401	\$ 973,007	\$ 1,009,537	\$ 1,208,081	\$ 198,544	19.7%
Benefits	599,564	586,094	581,580	665,399	83,819	14.4%
Field Expenses	347,674	414,055	361,371	406,185	44,814	12.4%
Board Expenses	28,489	47,608	44,268	51,863	7,595	17.2%
Consulting Services	352,912	172,036	168,131	109,410	(58,721)	-34.9%
Insurance	34,005	37,729	34,133	37,547	3,413	10.0%
Licenses/Permits/Contracts	34,878	34,928	34,907	32,397	(2,510)	-7.2%
Office Expenses	49,322	38,425	30,127	37,245	7,118	23.6%
Training & Meetings	11,424	13,116	28,065	17,625	(10,440)	-37.2%
Utilities	107,559	63,709	109,348	109,445	97	0.1%
Bike Trail	17,178	77,573	37,373	77,573	40,200	107.6%
Interest & Misc	63,246	54,759	48,155	42,969	(5,185)	-10.8%
Debt Repayment	167,334	196,797	196,797	106,958	(89,839)	-45.7%
Annual Side-Fund Loan Pymt	76,571	76,571	76,571	76,571	-	0.0%
TOTAL OPERATING EXPENSES	\$3,083,557	\$2,786,407	\$ 2,760,363	\$ 2,979,267	\$ 218,904	7.9%
OPERATING SURPLUS/ (LOSS)	\$ 849,373	\$ 702,354	\$ 741,195	\$ 729,146	\$ (12,049)	-1.6%
TRANSFER TO FARF	\$ (849,373)	\$ (702,354)	\$ (741,195)	\$ (729,146)	12,049	1.6%
BALANCE	-	-	-	-	-	-



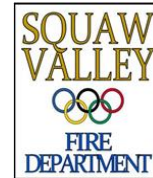
**SQUAW VALLEY PUBLIC SERVICE DISTRICT
FIRE DEPARTMENT
OPERATING BUDGET FOR FISCAL YEAR 2017-2018**



	2015 - 16 ACTUALS	2016 - 17 BUDGET	2016 - 17 PROJECTED	2017-18 BUDGET	Inc/ (Dec) from Prior Year	% CHANGE
REVENUES:						
Property Tax	\$2,773,179	\$3,231,170	\$ 3,231,170	\$3,276,154	\$ 44,984	1%
Mutual Aid	77,020	-	86,710	-	(86,710)	-100%
Classes & Training	5,000	1,200	1,148	1,200	53	5%
Surplus Sales	-	75,000	-	10,000	10,000	0%
Fire Protection Fees	28,080	-	8,481	-	(8,481)	-100%
Admin & Misc	64,532	-	-	-	-	0%
Rental Revenue	-	12,042	13,811	-	(13,811)	-100%
TOTAL REVENUE:	2,947,810	3,319,412	3,341,319	3,287,354	(53,966)	-2%
EXPENDITURES						
Salaries & Wages	1,462,755	1,557,378	\$ 1,718,264	1,607,039	(111,225)	-6%
Benefits	755,480	902,687	874,317	938,742	64,425	7%
Admin Salaries & Benefits	-	242,677	249,329	263,038	13,708	5%
Field Expenses	138,690	137,106	98,989	143,715	44,726	45%
Board Expenses	8,928	20,736	14,717	17,288	2,570	17%
Consulting Services	23,725	20,365	28,151	11,313	(16,837)	-60%
Insurance	21,023	22,060	22,027	22,359	332	2%
Licenses/Permits/Contracts	-	46,510	38,471	46,509	8,039	21%
Office Expenses	10,994	9,920	7,547	11,170	3,623	48%
Training & Meetings	3,262	5,755	7,591	2,700	(4,891)	-64%
Utilities	45,962	44,160	47,651	47,015	(636)	-1%
Interest & Misc	7,249	6,738	2,266	-	(2,266)	-100%
Debt Repayment	90,000	94,766	92,500	-	(92,500)	-100%
Annual Side-Fund Loan Pymt	36,695	36,695	36,695	36,695	-	0%
TOTAL OPERATING EXPENSES	2,604,763	3,147,553	3,238,515	3,147,582	(90,933)	-3%
NET OPERATING INC/ (DEC)	343,047	171,859	102,804	139,771	36,967	36%
TRANSFER TO FARF	(343,047)	(171,859)	(102,804)	(139,771)	(36,967)	-36%
BALANCE	-	-	-	-	-	-



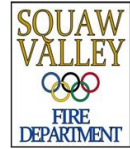
**SQUAW VALLEY PUBLIC SERVICE DISTRICT
CAPITAL PROJECT SUMMARY
PROPOSED BUDGET 2017-2018**



	PROJECT COST	WATER DEPT	SEWER DEPT	GARBAGE DEPT	Fire	GRANTS
CAPITAL IMPROVEMENTS						
Water Capital						
Dewatering Pumps	1,500	1,500				
New 5.5 kW Portable Generator	2,000	2,000				
Sewer Capital						
Intersection Manholes						
Design Truckee River Siphon	158,950		158,950			
Sewer Bypass Trailer and Hose	45,000		45,000			
Dewatering Pumps	1,500		1,500			
New 5.5 kW Portable Generator	2,000		2,000			
Fire Capital						
Type 3 Engine	400,000				400,000	
TOTAL CAPITAL IMPROVEMENTS	610,950	3,500	207,450	0	400,000	0
CAPITAL REPLACEMENTS (FARF's)						
Water						
West Tank Recoating Project	211,000	211,000				
Victor/Hidden Lake 2" Waterline Replacement	15,000	15,000				
Zone 3 Booster Pump Station	27,600	27,600				
Fire Hydrant Replacement - Annual Budget	31,900	31,900				
SCBA Cart	4,750	4,750				
Traffic Control Equipment	7,500	7,500				
Radios	7,500	7,500				
Locators	2,500	2,500				
Pipe Freeze Kit/Crimpers	5,000	5,000				
Sewer						
Manhole Inspection Project	40,000		40,000			
Design Truckee River Siphon	130,050		130,050			
SCBA Cart	4,750		4,750			
Traffic Control Equipment	7,500		7,500			
Radios	7,500		7,500			
Locators	2,500		2,500			
Fire						
Turnout Gear Replacement	14,100				14,100	
Hose Replacement	20,000				20,000	
Narcotic Lockbox	10,000				10,000	
Misc	5,000				5,000	
Shared Assets						
New Backhoe	150,000	75,000	75,000			
AC Slurry Seal - 305	8,500	2,833	2,833		2,833	
AC Slurry Seal - 1810	15,000	5,000	5,000	5,000		
Drainage Improvements - 1810	25,000	8,333	8,333	8,333		
Grant Projects						
Bike Trail Snow Removal (Grant Funded)	101,961					101,961
TOTAL CAPITAL REPLACEMENTS (FARF's)	854,611	403,917	283,467	13,333	51,933	101,961
TOTAL CAPITAL PROJECTS	1,465,561	407,417	490,917	13,333	451,933	101,961



SQUAW VALLEY PUBLIC SERVICE DISTRICT FINANCIAL SUMMARY FOR BUDGET YEARS 2019 - 2022



	Water	Sewer	Garbage	Total Utility Operations	Total Fire Operations	Water Capital	Sewer Capital	I&I	Fire Capital	Consolidated
2018-19 Budget Summary	4%	5%	3%		2%					
Total Revenue	2,236,323	1,371,831	259,145	3,867,299	3,353,101	84,000	22,000	22,000	12,000	7,360,400
Total Operating Exp	1,840,857	1,017,358	247,510	3,105,724	3,147,583	-	-	-	-	6,253,307
Operating Surplus (Loss)/ to FARFS	395,466	354,473	11,635	761,575	205,517	84,000	22,000	22,000	12,000	1,107,092
Capital /FARF Rollforward										
Begin Balance 7/1/18	707,795	2,916,259	166,723	3,790,777	246,383	831,323	-	175,336	-	5,043,820
Capital Projects	(303,933)	(1,824,233)	(13,867)	(2,142,033)	(52,972)	(50,000)	(960,720)	-	-	(3,205,725)
Contributions (from above)	395,466	354,473	11,635	761,575	205,517	84,000	960,720	22,000	12,000	2,045,812
End Balance 6/30/19	799,328	1,446,500	164,492	2,410,320	398,928	865,323	-	197,336	12,000	3,883,907
2019-20 Budget Summary	4%	5%	3%		2%					
Total Revenue	2,325,776	1,440,422	266,919	4,033,117	3,420,163	84,000	22,000	22,000	12,000	7,593,280
Total Operating Exp	1,914,491	1,068,225	254,935	3,237,651	3,210,535	-	-	-	-	6,448,186
Operating Surplus (Loss)/ to FARFS	411,285	372,197	11,984	795,466	209,628	84,000	22,000	22,000	12,000	1,145,094
Capital /FARF Rollforward										
Begin Balance 7/1/19	799,328	1,446,500	164,492	2,410,320	398,928	865,323	-	197,336	12,000	3,883,907
Capital Projects	(270,317)	(701,017)	(14,421)	(985,755)	(173,281)	(236,400)	(221,700)	-	-	(1,617,137)
Contributions (from above)	411,285	172,497	11,984	595,766	209,628	84,000	221,700	22,000	12,000	1,145,094
End Balance 6/30/20	940,296	917,979	162,055	2,020,330	435,275	712,923	-	219,336	24,000	3,411,864
2020-21 Budget Summary	4%	5%	3%		2%					
Total Revenue	2,418,807	1,512,443	274,927	4,206,177	3,488,566	84,000	22,000	22,000	12,000	7,834,743
Total Operating Exp	1,991,071	1,121,637	262,583	3,375,290	3,274,746	-	-	-	-	6,650,036
Operating Surplus (Loss)/ to FARFS	427,736	390,807	12,344	830,887	213,820	84,000	22,000	22,000	12,000	1,184,707
Capital /FARF Rollforward										
Begin Balance 7/1/20	940,296	917,979	162,055	2,020,330	435,275	712,923	-	219,336	24,000	3,411,864
Capital Projects	(230,694)	(476,933)	(14,998)	(722,625)	(228,747)	(108,339)	(253,400)	-	-	(1,313,111)
Contributions (from above)	427,736	159,407	12,344	599,487	213,820	84,000	253,400	22,000	12,000	1,184,707
End Balance 6/30/21	1,137,339	600,453	159,401	1,897,192	420,348	688,584	-	241,336	36,000	3,283,460
2021-22 Budget Summary	4%	5%	3%		2%					
Total Revenue	2,515,559	1,588,065	283,175	4,386,799	3,558,338	84,000	22,000	22,000	12,000	8,085,137
Total Operating Exp	2,070,713	1,177,719	270,460	3,518,892	3,340,241	-	-	-	-	6,859,133
Operating Surplus (Loss)/ to FARFS	444,846	410,347	12,714	867,907	218,097	84,000	22,000	22,000	12,000	1,226,004
Capital /FARF Rollforward										
Begin Balance 7/1/21	1,137,339	600,453	159,401	1,897,192	420,348	688,584	-	241,336	36,000	3,283,460
Capital Projects	(596,383)	(322,767)	(15,598)	(934,748)	(238,222)	(473,729)	(256,300)	0	-	(1,902,999)
Contributions (from above)	444,846	176,047	12,714	633,607	218,097	84,000	256,300	22,000	12,000	1,226,004
End Balance 6/30/22	985,802	453,733	156,517	1,596,051	400,223	298,855	-	263,336	48,000	2,606,465